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APPALACHIAN POWER COMPANY

WITH


THE NEW YORK TRUST COMPANY,

Trustee

Indenture

Dated August 1, 1921

SECURING AN ISSUE OF FIFTEEN-YEAR 7% SECURED
GOLD BONDS DUE 1936



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This Indenture, dated the first day of August, one thousand nine hundred and twenty-one, between APPALACHIAN POWER COMPANY (hereinafter called the "Company"), a corporation organized and existing under the Laws of the State of Virginia, party of the first part, and THE NEW YORK TRUST COMPANY (hereinafter called the "Trustee"), a corporation organized and existing under the Laws of the State of New York, party of the second part,

WITNESSETH That

WHEREAS the Company heretofore authorized and made an issue of Six Million Dollars (\$6,000,000) principal amount of General Mortgage Seven Per Cent. Gold Bonds, all dated August 1, 1921, maturing August 1, 1936, and all equally secured by a mortgage or trust deed dated August 1, 1921 (hereinafter called the General Mortgage), made by the Company to The New York Trust Company and Frederick J. Horne, as Trustees; and

WHEREAS the Company having full and complete authority in the premises, has resolved to issue and to dispose of, as hereinafter stated, its secured gold bonds secured by a pledge of all of said bonds, hereinafter called, collectively, "pledged bonds"; and

WHEREAS the Company has resolved that such bonds shall be executed in its name and under its seal by its President or a Vice-President and by its Treasurer or an Assistant Treasurer, and that, before issuance and delivery thereof, each of such bonds shall be authenticated by a certificate of the Trustee to the effect that such bond is one of the bonds described in this Indenture; and

WHEREAS such bonds of the Company are to be for the aggregate principal sum of \$5,000,000, payable to the bearer, or if registered to the registered holder, in gold coin of the United States of America of the present standard of weight and fineness at the office of The New York Trust Company in the City of New York, and are to be issued in three denominations, viz., for \$1,000, \$500 and \$100 each, respectively, all to be dated August 1, 1921, and to mature August 1, 1936, all bearing interest from August 1, 1921, evidenced by coupons payable to bearer on the first day of August and the first day of February, respectively, for \$35, for \$17.50, and for \$3.50, attached to said respective denominations of bonds, which coupons are to be payable at the office of said The New York Trust Company, in like gold coin; and

WHEREAS the text of the bonds for \$1,000 and of the coupons to be annexed thereto, is to be substantially to the following effect, and the text of the bonds for \$500 and appurtenant coupons and of the bonds for \$100 and appurtenant coupons is to be of like tenor, except as to amount, to wit:

[FORM OF BOND.]

No. M. \$1,000.

UNITED STATES OF AMERICA,

STATE OF VIRGINIA.

APPALACHIAN POWER COMPANY,

FIFTEEN-YEAR 7% SECURED GOLD BOND.

APPALACHIAN POWER COMPANY, a corporation organized and existing under the laws of the State of Virginia (hereinafter called "Company"), for value received, hereby promises to pay to bearer, or, if registered, to the

registered holder hereof, on the first day of August, 1936, the sum of One Thousand Dollars, at the office of The New York Trust Company, in the City of New York, in gold coin of the United States of America of the present standard of weight and fineness, and to pay interest thereon from August 1, 1921, at the rate of seven per centum (7%) per annum, semi-annually, on the first day of February and the first day of August in each year, according to the tenor and effect of the coupons hereto annexed, but only upon presentation and surrender of the said coupons as they severally mature.

The Company will pay both the principal and interest of this Bond without deduction for any tax or taxes (except succession and inheritance taxes and except such portion of any Federal income tax with respect to income derived from such interest as shall be in excess of two per cent.) which the Company or the Trustee under the Indenture hereinafter mentioned may be authorized or required to pay thereon or to retain therefrom under any present or future law or requirement of the United States of America, or of any state, county or municipality therein, the Company hereby agreeing to pay such tax or taxes.

It is provided in said Indenture, that the Company will reimburse to the holder or, if this Bond be registered, to the registered owner hereof, the Pennsylvania personal property tax which may be imposed upon this Bond or upon such holder or registered owner by reason of his ownership hereof, not exceeding four (4) mills per annum on each dollar of the face amount hereof, if application therefor be made as provided in said Indenture.

This Bond is one of an authorized issue of bonds of the Company known as its Fifteen-Year 7% Secured Gold Bonds (hereinafter called Secured Bonds), of an aggregate principal amount not exceeding \$5,000,000 at any

one time outstanding, issued and to be issued under and in pursuance of, and all equally and ratably secured by, an Indenture dated August 1, 1921, duly executed and delivered by the Company to The New York Trust Company, as Trustee, pledging to and with said Trustee certain General Mortgage Bonds of the Company therein described. For a description of the General Mortgage Bonds mortgaged and pledged, the nature and extent of the security, the rights of the holders of Secured Bonds and of the Trustee in respect to said security, and the terms and conditions upon which the Secured Bonds are and are to be issued and secured, reference is made to said Indenture, to all of which provisions the holder hereof by accepting this Secured Bond assents.

The principal of this Secured Bond and of all other bonds of this issue may be declared, and thereupon shall become and be, due and payable immediately and prior to August 1, 1936, in the event of default as in said Indenture provided.

This Secured Bond shall pass by delivery unless it is registered in the holder's name on the books of the Company at said The New York Trust Company in the City of New York and such registration is noted hereon by the registrar. After such registration, no transfer shall be valid unless made by the registered holder, in person or by attorney, and similarly noted hereon by such registrar; but this Secured Bond may be discharged from registry and its transferability by delivery be restored, by like transfer to bearer noted hereon, after which it may again from time to time be registered or made transferable to bearer as before. Such registration, however, shall not affect the negotiability of the coupons, which shall continue to be transferable by delivery merely.

As is more fully set forth in said Indenture, to which reference is hereby made, no recourse shall be had for the

payment of the principal or interest of this Secured Bond against any incorporator, stockholder, officer or director of the Company.

This Secured Bond shall not become or be obligatory for any purpose until the certificate of authentication endorsed hereon shall have been signed by the Trustee. Such certificate shall be conclusive evidence that this Secured Bond is one of the Secured Bonds issued under said Indenture, and is entitled to all the benefits thereof.

IN WITNESS WHEREOF, Appalachian Power Company has caused this Bond to be signed by its President or a Vice-President and by its Treasurer or an Assistant Treasurer, and its corporate seal to be hereunto affixed this 1st day of August, A. D. 1921.

APPALACHIAN POWER COMPANY,
By

President.

Treasurer.

[FORM OF INTEREST COUPON.]

No. \$35.

On the first day of , 19 , Appalachian Power Company will pay to bearer at the office of The New York Trust Company, in the City of New York, Thirty-five Dollars, United States Gold Coin of the standard of weight and fineness existing on August 1, 1921, without deduction for taxes as specified in said bond, being six months' interest then due on its Fifteen-Year 7% Secured Gold Bond, No.

Treasurer.

AND WHEREAS, On each of said bonds there is to be endorsed a certificate of the Trustee, substantially of the following tenor, to wit:

[FORM OF TRUSTEE'S CERTIFICATE.]

This bond is one of the bonds referred to in the within mentioned Indenture.

THE NEW YORK TRUST COMPANY, Trustee,
By

Assistant Secretary.

AND WHEREAS, Each of the coupons to be attached to said bonds is to be authenticated by the engraved facsimile signature of the present Treasurer or of any future Treasurer of the Company, and for that purpose the Company may adopt and may use the engraved facsimile signature of any person who shall have been such Treasurer, notwithstanding the fact that he shall have ceased to be such Treasurer at the time when any such bond shall be actually certified and delivered; and

WHEREAS, The Company has resolved that the Indenture to secure the said bonds shall be substantially in the form of this Indenture; and

WHEREAS, All things necessary to make such bonds, when certified by the Trustee, the valid, binding and legal obligations of the Company, and these presents a valid indenture of pledge to secure and to provide for the payment of the said bonds, have been done and performed and have happened, and the execution and issue of said bonds and of this Indenture have been in all respects duly authorized.

NOW, THEREFORE, THIS INDENTURE WITNESSETH :

That in order to secure the payment of the principal and interest of all of said bonds at any time issued and outstanding under this Indenture, according to the tenor, purport and effect thereof, and to secure the performance and observance of all the covenants and conditions herein contained, and to declare the terms and conditions on which said bonds are issued, received and held, and in consideration of the premises and of the purchase and acceptance of such bonds by the holders thereof, and of the sum of one dollar to it duly paid by the Trustee at the execution of these presents, the receipt whereof is hereby acknowledged ;

The Company hereby does sell, assign, transfer and set over and does pledge to, and hypothecate with The New York Trust Company, as Trustee, the following described mortgage bonds, hereinbefore and hereinafter called the "pledged bonds," contemporaneously with the delivery of this Indenture delivered to the Trustee, to wit :

General Mortgage Seven Per Cent. Gold Bonds of the Company for the aggregate principal amount of Six Million Dollars (\$6,000,000), dated August 1, 1921, maturing August 1, 1936, bearing interest at the rate of seven per cent. per annum from August 1, 1921, and issued under and secured by said General Mortgage dated August 1, 1921, made by the Company to said The New York Trust Company and Frederick J. Horne, as Trustees;

TO HAVE AND TO HOLD the same unto the said The New York Trust Company, as Trustee, its successors and assigns, forever :

IN TRUST, NEVERTHELESS, for the equal and ratable use and benefit of all present and future holders of the

bonds issued and to be issued under and secured by this Indenture, without preference, priority or distinction as to lien or otherwise of one bond over any other bond by reason of priority in the issue, sale or negotiation thereof or otherwise; so that each and every bond issued as aforesaid shall have the same right, lien and privilege under and by virtue of this Indenture, and so that subject to the terms hereof, the principal and interest of every such bond shall be secured hereby equally and proportionately, as though all had been duly issued, sold and negotiated simultaneously with the execution and delivery of this Indenture; it being intended that the lien and security of this Indenture shall take effect from the day of the date hereof, without regard to the date of the actual issue, sale and negotiation of said bonds, and as though upon such date all of said bonds had been actually sold and delivered to and into the hands of the holders thereof for value; and it being expressly covenanted and declared by the Company that all such bonds are to be issued, negotiated, sold and held, and that the said pledged bonds are to be held by the Trustee upon and subject to the further trusts, uses, conditions, covenants and agreements, hereinafter set forth; and it is covenanted between the parties hereto and for the benefit of the respective holders from time to time of the bonds intended to be secured hereby, as follows, viz.:

ARTICLE ONE.

SECTION 1. The amount of bonds which may be executed by the Company and certified by the Trustee hereunder is limited, so that never at any time shall there be outstanding bonds hereby secured for an aggregate principal amount exceeding \$5,000,000.

The said bonds and the coupons thereto attached respectively shall be substantially of the tenor and purport

above recited. The bonds issued from time to time shall be for such amounts of the respective denominations hereinbefore recited as may be determined from time to time by resolution of the Board of Directors or Executive Committee of the Company. The bonds of the denomination of \$1,000 shall be numbered M-1 and consecutively upwards. The bonds of the denomination of \$500 shall be numbered D-1 and consecutively upwards, and the bonds of the denomination of \$100 shall be numbered C-1 and consecutively upwards.

Only such bonds as shall bear thereon a certificate, substantially in the form hereinbefore recited, duly executed by the Trustee, shall be secured by this Indenture or entitled to any lien or benefit hereunder. Every such certificate of the Trustee upon any bond executed by the Company shall be conclusive evidence, and the only evidence, that the bond so certified was duly issued hereunder and is entitled to the benefit of the trust hereby created for the benefit of the holder of such bond.

SEC. 2. In case any of the officers who, on behalf of the Company, shall have signed any of the bonds issued under this Indenture, shall die or shall cease to be such officers of the Company, before the bonds so signed shall have been actually certified by the Trustee or delivered or sold, nevertheless upon the request of the Company, such bonds shall be certified and delivered, as herein provided, and may be sold or otherwise disposed of by the Company, as though the persons who signed and sealed such bonds had not died or ceased to be such officers of the Company; and also any such bond may be signed in behalf of the Company by such persons as at the actual date of the execution of the bond shall be the proper officers of the Company, although on August 1, 1921, any such person shall not have been such officer. The coupons at-

tached to the bonds hereby secured shall be authenticated by the engraved facsimile signature of the present treasurer, or of any future treasurer of the Company, and for that purpose the Company may adopt and use the engraved facsimile signature of any treasurer, notwithstanding the fact that at the time when such bonds shall be actually certified and delivered or sold he shall have ceased to be the treasurer of the Company.

SEC. 3. In case any bond secured hereby or the coupons thereto appertaining shall become mutilated or be destroyed or lost, the Company may execute, and, upon its request the Trustee shall certify and deliver, a new bond of like tenor and date and for a like amount (including coupons for interest thereon) bearing the same serial number, in exchange and substitution for and upon cancellation of the mutilated bond and its coupons, or in lieu of and in substitution for the same so destroyed or lost. In case of destruction or loss the applicant for a substituted bond and coupons shall furnish to the Company and to the Trustee evidence to their satisfaction, in their discretion, of the destruction or loss of such bond and its coupons, and also such security or indemnity as shall be required by the Company and the Trustee.

SEC. 4. Nothing in this Indenture or in the bonds secured hereby expressed or implied, is intended, or shall be construed, to give to any person, firm, or corporation, other than the parties hereto and the holders of said bonds, any legal or equitable right, remedy or claim under or in respect of this Indenture, or under any covenant, condition or provision herein contained; all its covenants, conditions and provisions being intended to be, and being, for the sole and exclusive benefit of the parties hereto, and of the holders of the bonds issued hereunder.

SEC. 5. Pending the preparation of the permanent bonds the Company may issue and the Trustee may in the same manner as herein provided in respect of the permanent bonds certify and deliver temporary printed bonds substantially of the tenor of the coupon bonds hereinbefore recited in denominations of \$1,000 or such multiples of \$1,000 as the Company may deem expedient, and with or without coupons; such bonds shall be exchangeable for a like principal amount of permanent bonds and when exchanged shall then be cancelled, and holders of such temporary bonds shall until the same be so exchanged be bondholders within the meaning of this Indenture entitled to the benefits of the trusts hereby created.

SEC. 6. Permanent bonds of one denomination shall be exchangeable for an equal aggregate principal amount of bonds of any of the other denominations upon payment to the Trustee for account of the Company of the sum of One Dollar (\$1.00) for each new bond issued upon such exchange.

ARTICLE TWO.

SECTION 1. Bonds up to an aggregate principal amount of \$2,500,000 shall be authenticated and delivered by the Trustee upon the order of the Company signed by its President or a Vice-President with its corporate seal affixed and attested by its Secretary or an Assistant Secretary, after the delivery to the Trustee of the aforesaid \$6,000,000 principal amount of General Mortgage Bonds to be pledged hereunder, without any further act on the part of the Company and whether or not the aforesaid General Mortgage shall then have been recorded or filed.

SEC. 2. The First Mortgage Trust Deed of the Company, dated June 1st, 1911, to Continental and Commercial Trust and Savings Bank, an Illinois corporation, as trustee (hereinafter called the First Mortgage, the bonds secured by which are hereinafter called First Mortgage Bonds), provides that the remaining bonds not yet certified and issued under said First Mortgage shall from time to time be executed by the Company and certified by the trustee under said First Mortgage to an amount not exceeding in the aggregate 80% of the reasonable value (not to exceed the actual cost) to the Company of additional plants and properties, additional hydro-electric developments or permanent extensions, additions, improvements or betterments, subject to certain provisions and limitations. It is the intention of this Indenture to permit the issue of additional bonds hereunder, being bonds in addition to the principal amount of \$2,500,000 above referred to, from time to time to an amount not exceeding in the aggregate the remaining 20% of the reasonable value (not to exceed the actual cost) to the Company of such additional property, as provided by the following sections of this Article.

SEC. 3. The \$2,500,000 principal amount of additional bonds, that is bonds in addition to said \$2,500,000 principal amount of bonds to be issued under the provisions of Section 1 of this Article, shall from time to time be authenticated by the Trustee and delivered to the Company upon its written order signed in the name of the Company by its President or a Vice-President, with its corporate seal affixed and attested by its Secretary or an Assistant Secretary, in each case for a principal amount or principal amounts not exceeding in the aggregate 20% of the reasonable value (not to exceed the actual cost) to the Company of (1) any additional plants and properties

(not including bonds, stocks and other securities) acquired by the Company after September 1, 1921; (2) any additional hydro-electrical developments made by the Company after said date; or (3) any permanent extensions, additions, improvements or betterments made after September 1, 1921 to any of the Company's plants or properties as they existed on said date; (such additional plants and properties, hydro-electrical developments and permanent extensions, additions, improvements and betterments being hereinafter referred to as "additional property"); provided, however,

That none of said additional bonds shall be so certified and delivered under the provisions of this Section on account of such repairs and renewals as shall be necessary to keep the Company's plants and properties in good order, and to offset depreciation in the physical condition thereof; and provided further

That none of said additional bonds shall be so certified or delivered under the provisions of this Section unless and until the gross earnings of the Company from the operation of its plants and properties and from income upon any securities owned by the Company (exclusive of obligations of the Company) for a period of twelve (12) consecutive calendar months within the fifteen (15) consecutive calendar months immediately prior to the date of each respective application for certification, after deducting from such gross earnings all operating expenses for the same period, including taxes, insurance premiums and customary expenses for current repairs and current maintenance ordinarily chargeable to operating expenses, shall have been in each case equal to at least twice the aggregate amount of (a) the annual interest charges on (1) all First Mortgage Bonds outstanding at the time of said application and (2) all additional First Mortgage Bonds

issuable on account of any additional property acquired prior to the termination of said period of twelve (12) months and/or on account of the same additional property on account of which bonds are then to be certified hereunder (but not including any First Mortgage Bonds certified but still withheld from delivery by the Trustee under the First Mortgage on account of existing liens on property acquired by the Company as provided in Section 7 of Article I of said First Mortgage and in Section 7 of this Article of this Indenture) and (b) the annual interest charges on (1) all bonds hereby secured and then outstanding and (2) all bonds whose certification and delivery is then applied for hereunder, and (c) the annual interest charges on (1) all secured indebtedness of the Company and charges against its properties existing at the time of said application, the lien or liens of which shall be prior to the lien securing the pledged bonds; and (2) all secured indebtedness against any new or additional plant or property the earnings of which are included in computing the earnings of the Company for the purpose of obtaining the certification and delivery of bonds hereunder as provided in Section 4 of this Article, the lien or liens of which indebtedness will be prior to the lien securing the pledged bonds, after such plant or property shall have been acquired by the Company.

SEC. 4. In case the Company shall at any time after September 1, 1921 apply under the provisions of Section 3 of this Article for the certification and delivery of any bonds hereunder on account of any new or additional plants or properties, acquired by the Company after September 1, 1921, and having at the time of such application an earning capacity, (but not including bonds, stocks and other securities), the Company shall have the

right in computing its earnings for the purpose of obtaining the certification and delivery of bonds under the terms and provisions of Section 3 of this Article, to include the gross earnings made by such new plant or property so proposed to be purchased or acquired for said period of twelve (12) consecutive calendar months within the fifteen (15) consecutive calendar months immediately prior to such application, after deducting from such gross earnings all operating expenses for the same period, including taxes, insurance premiums and customary expenditures for current repairs and current maintenance ordinarily chargeable to operating expenses.

SEC. 5. Every written order of the Company for the certification and delivery of any of the bonds referred to and covered by Section 3 of this Article shall be accompanied by

(1) A certified copy of a resolution of the Board of Directors or Executive Committee of the Company authorizing such order and specifying the amount and denominations of bonds to be certified and delivered.

(2) a certificate signed by some engineer, approved by the Trustee as an engineer of good standing and reputation, who may be an engineer in the employ of the Company (and the certificate of any engineer approved by the Trustee under the Company's First Mortgage shall be accepted under the provisions of this Section) stating:

(a) That expenditures for additional property of the nature described in the first paragraph of Section 3 of this Article have actually been made or contracted for or materials purchased or contracted for, together with a description thereof in reasonable detail;

(b) The actual cost thereof to the Company;

(c) The reasonable value thereof to the Company;

(d) That the additional property or the permanent extensions, improvements, additions or betterments on account of which any instalment of bonds is to be certified have not been acquired in whole or in part with First Mortgage Bonds of the Company issued prior to September 1, 1921, or with bonds issued under this Indenture prior to the date of said certificate, and have not been included in whole or in part in any preceding certificate made the basis of any other issue of bonds hereunder; and that no First Mortgage Bonds have been certified and issued since September 1, 1921, on account of said additional property, etc., in excess of 80% of the reasonable value (not to exceed the actual cost) thereof to the Company;

(e) That the bonds called for by said order are not on account of any expenditures made out of any insurance money or out of the proceeds of the sale of any property mortgaged by any mortgage of the Company or out of the Improvement Fund referred to in Article Three hereof.

(f) That renewals or substitutions for previously existing property have been treated as permanent extensions, improvements, additions or betterments only so far as the reasonable value not exceeding the actual cost of such renewals or substitutions exceeded the cost when new of the things renewed or substituted for, and that in no case has any expense for maintenance, repairs or renewals—which in the proper practice of companies carrying on a business similar to that carried on by the

Company are charged to operating expenses—been treated as a permanent extension, improvement, addition or betterment, and that nothing has been treated as a betterment or improvement which with proper regard to the nature and conditions of the properties ought to have been considered as a repair, replacement, off-set to depreciation, renewal or other operating expense.

(3) a certificate signed by the President or a Vice-President and the Treasurer or an Assistant Treasurer of the Company setting forth

(a) the amount of the Company's gross earnings and operating expenses as in this Article required for said period of twelve (12) months and, where said earnings include the earnings of any additional plant or property under the provisions of Section 4 of this Article, a statement that said additional plant or property has an earning capacity at the time of the application and a separate statement of the amount of gross earnings and operating expenses of said additional plant or property;

(b) the amount of the annual interest charges on all bonds hereby secured and then outstanding and on the bonds which it is then intended to certify;

(c) the amount of the annual interest charges on (1) all First Mortgage Bonds of the Company at the time outstanding, and (2) all First Mortgage Bonds, in addition to those then outstanding, issuable on account of any additional property acquired prior to the termination of said period of twelve (12) months and/or on account of the same additional property on account of which bonds are then to be certified hereunder.

(d) the amount of the annual interest charges on (1) all other secured indebtedness of the Company and charges against its properties the lien or liens of which shall be prior to the lien securing the pledged bonds and (2) all secured indebtedness against any new or additional plant or property the earnings of which are included in computing the earnings of the Company for the purpose of obtaining the certification and delivery of bonds hereunder as provided in Section 4 of this Article, the lien or liens of which indebtedness will be prior to the lien of the pledged bonds, after such plant or property shall have been acquired by the Company.

(4) An opinion signed by counsel satisfactory to the Trustee (who may be the counsel of the Company) stating that said additional property or permanent extensions, improvements, additions or betterments have been legally acquired by the Company; that it has good marketable title thereto and that the same is free from all liens, incumbrances and easements, except as therein stated. Said opinion shall also state that the lien of the Company's General Mortgage on said additional property, permanent extensions, improvements, additions or betterments is a valid lien of record, perfected by such recording as in the opinion of such counsel is needed, subject only to the liens of the Company's First Mortgage and of any mortgages or liens existing against such additional property at the time of acquisition, and shall also state that no authorization for the issue of the bonds called for by said order at the time is required by law to be given by any public service commission or other governmental body except as in said opinion specified, together with a copy, authenticated in manner satisfactory to the Trustee, of such authorization, if any, specified in said opinion.

SEC. 6. The Company shall not be entitled to the delivery of any of the additional bonds under the provisions of Section 3 of this Article Two when the Company shall to the knowledge of the Trustee be in default in respect to any covenant or agreement contained in this Indenture.

SEC. 7. In case the Company shall at any time after September 1, 1921, acquire any property subject to any existing lien prior to the lien of the Company's General Mortgage, the Company shall be entitled to have authenticated bonds under the provisions of Section 3 of this Article equal in principal amount to 20% of the reasonable value (not to exceed the actual cost) of such property to the Company if such prior lien were paid off and discharged, but only provided that out of the First Mortgage Bonds of the Company authenticated by the trustee under said First Mortgage in connection with such acquisition, bonds equal at par to the principal amount of every such existing prior lien or indebtedness shall have been withheld by said trustee under the Company's First Mortgage pending the payment of such secured indebtedness, of which fact the certificate of such trustee shall be conclusive evidence, and provided further, that in no case shall bonds be certified under the provisions of this Section on account of property which shall at the time be subject to any lien prior to the lien of the Company's General Mortgage, if there be any interest due and unpaid upon the indebtedness secured by said prior lien other than interest for the current period not exceeding six (6) months. The affidavit of the President or a Vice-President of the Company showing that there is no such interest so due or unpaid shall be sufficient evidence of the fact.

SEC. 8. The said written order and certified copy of the resolution of the Board of Directors or Executive Committee, the certificate of the President or a Vice-President and the Treasurer or an Assistant Treasurer, the certificate of the Engineer and the opinion of counsel as provided for in Section 5 of this Article (together, in a proper case, with the certificate and affidavit provided for in Section 7 of this Article) shall constitute sufficient warrant, direction and justification to the Trustee for certifying and delivering any of the bonds required of it under Section 3 of this Article, and shall constitute due and sufficient evidence of the facts therein stated, and no duty or obligation is imposed upon the Trustee to look behind such documents.

ARTICLE THREE

SECTION 1. In addition to the sinking fund requirements under the Company's First Mortgage, the Company covenants that in the event that and so long as there shall be issued and outstanding hereunder bonds in excess of the principal amount of \$3,500,000, it will pay to the Trustee, on the first day of August in each year, in United States gold coin of the present standard of weight and fineness, or its equivalent, a sum equal to three and one-third per cent. ($3\frac{1}{3}\%$) of the aggregate principal amount of such bonds in excess of said principal amount of \$3,500,000 issued and outstanding on the said first day of August. The sums paid to the Trustee under this Article shall constitute a fund to be known as an Improvement Fund, and shall be held by the Trustee until applied as hereinafter provided, such interest being allowed thereon as the Trustee shall allow on ordinary deposit accounts.

SEC. 2. Such Improvement Fund shall be paid out by the Trustee from time to time upon the request of the Company, expressed by resolution of its Board of Directors or Executive Committee, and upon receipt, in each case, of a certificate signed and verified by the President or a Vice-President of the Company and by an engineer appointed by its Board of Directors and approved by the Trustee, who may be an engineer of the Company, stating in substance:

(1) That the Company has made permanent extensions, additions, improvements or betterments properly chargeable to capital account of the character described in Section 3 of Article Two of this Indenture—describing the same with reasonable detail and stating the actual cash cost of each item—to or about its plants or properties as they existed on September 1, 1921, not included in any other certificate under this Article nor included in any certificate made under Article Two as a basis for authentication of bonds, nor acquired, made or paid for by exchange, release, surrender, condemnation or other transfer of any of the property subject to the lien securing the pledged bonds, or by the proceeds of any such property or of insurance thereon, and stating that such items do not include any replacement of old or worn out property; except to the extent of the excess cost or value thereof as defined in paragraph (f) of Section 5 of Article Two; and

(2) that the reasonable value and the actual cash cost to the Company of said permanent extensions, additions, improvements or betterments, are not less than the sum requested in said resolution to be paid, or are not less than a smaller sum stated in the certificate; and upon receipt also of an opinion of counsel of the character defined in sub-division (4) of Section 5 of Article

Two with respect to such permanent extensions, additions, improvements or betterments.

Such resolutions, certificates and opinions required by this Section shall be full authority to the Trustee for making payments out of the Improvement Fund to amounts which do not exceed either the amount requested in the resolution to be paid or the value or the actual cost as stated in said certificate, but before making any such payment under this Section the Trustee may in its discretion, and shall if requested in writing so to do by the holders of not less than twenty-five per cent. in amount of the outstanding bonds, and if furnished with security and indemnity satisfactory to it, cause to be made such independent investigation as it may see fit, and the expense thereof shall be paid by the Company, or if paid by the Trustee shall be repaid by the Company upon demand, with interest at the rate of six per cent. (6%) per annum; and if on such investigation the Trustee, acting by such officer as it shall select, shall find any of the statements in said certificate to be in its opinion incorrect, it shall make such reduction in the payment as in its opinion the facts so found require. The Trustee shall, however, be under no duty to make any such investigation unless requested to do so and indemnified as aforesaid.

SEC. 3. At any time the Trustee may, upon request of the Company, expressed by resolution of its Board of Directors or Executive Committee, apply any part of the Improvement Fund to the purchase of bonds authenticated hereunder at not more than the principal amount thereof plus interest. Such purchase shall be made upon the best offer or offers received upon advertisement for offers published by the Trustee at the expense of the Company once in each of two successive weeks in a newspaper

published in the City of New York, and the Company may make such offers and may in discharge of any such offer deliver any bonds authenticated hereunder, whether previously issued by it or not.

SEC. 4. All bonds hereby secured, purchased or otherwise acquired by or delivered to the Trustee for the Improvement Fund, shall forthwith be cancelled by the Trustee and shall not be reissued.

SEC. 5. If the pledged bonds shall be sold either under the power of sale herein provided or under decree of court in proceedings for the foreclosure of this Indenture, then the Improvement Fund shall be added to and dealt with as if it were part of the proceeds of such sale.

ARTICLE FOUR.

SECTION 1. Duly and punctually the Company will pay the interest and the principal of the bonds issued hereunder at the time and in the manner specified in said bonds, without deduction from either such principal or such interest for any tax or taxes (except succession and inheritance taxes and except such portion of any Federal Income Tax with respect to income derived from such interest as shall be in excess of two per cent.) which the Company or the Trustee may be authorized or required to pay thereon or to retain therefrom under any present or future law or requirement of the United States of America, or of any State, county or municipality therein, the Company hereby agreeing to pay any such tax or taxes, as in said bonds set forth.

SEC. 2. Upon application, the Company will reimburse to any holder or registered owner of any bond the

Pennsylvania personal property tax which may be imposed upon such bond or upon him by reason of his ownership thereof, up to but not exceeding four (4) mills per annum on each dollar of the face amount of any bonds held by him; provided that such application shall be made to the Company, or to the Trustee with instructions to transmit the same to the Company, within thirty (30) days after payment of such tax by him, and that such application shall set forth the fact of the ownership by the applicant of any bonds, together with the number or numbers thereof, the residence of such holder or registered owner at the time such tax was assessed against him and that such tax was assessed against and paid by such holder or registered owner because of the ownership by him of such bonds, and provided further that the Company shall not have theretofore paid to the State of Pennsylvania or to any county, municipality or other political sub-division thereof the amount of such tax applicable to the bond or bonds held by the holder or registered owner making such application.

SEC. 3. The Company will keep and perform each and every covenant on its part to be kept and performed contained in each of its mortgages hereinabove mentioned and will at all times preserve and maintain its property and every part thereof, together with the fixtures and appurtenances in thorough repair, working order and condition.

SEC. 4. From time to time the Company promptly shall and will pay and discharge, or cause to be paid and discharged, all taxes, rates, lawful levies or assessments and charges, special or general, ordinary or extraordinary, levied or imposed upon or in respect of the pledged property, the lien whereof might or could be held to be

prior or equal to the lien of these presents, so that the same shall not fall into arrears, and so that the priority of this indenture of pledge shall be duly preserved; *provided, however*, that the Company, in good faith and by appropriate legal proceedings, shall have the right to contest any such tax, assessment or charge, and pending such contest may delay or defer the payment thereof.

SEC. 5. The Company upon the written request of the Trustee will forthwith execute, acknowledge and deliver all such further, other and supplemental instruments and will take all such further action as may reasonably be required for better assuring and confirming unto the Trustee all and singular the bonds and cash at any time pledged and assigned to the Trustee hereunder or intended so to be.

SEC. 6. The Company will keep at the office of The New York Trust Company in the City of New York, a register or registers for the registration of bonds secured hereby; in which the Company will register as to the principal sum thereof, subject to such reasonable regulations as it may prescribe, any such bonds, upon presentation for such purpose. After such registration, no transfer shall be valid unless made on said books by the registered holder in person or by his duly authorized attorney, and similarly noted on the bond. The Trustee for the time acting as such hereunder is hereby appointed the bond registrar of the Company.

Upon presentation of any such registered bond at said office where such registration was made, accompanied by delivery of a written instrument of transfer in a form approved by the Company, executed by the registered holder, such bond shall be transferred upon such register and such transfer shall be noted upon the bond. The

registered holder of any such registered bond also shall have the right to cause the same to be discharged from registration, by being in like manner transferred to bearer, in which case transferability by delivery shall be restored, and thereafter the principal of such bond when due shall be payable to the person presenting the bond; but any such bond may again be registered in the name of the holder with the same effect as a first registration thereof. Successive registrations and transfers as aforesaid may be made from time to time as desired; and each registration of any such bond shall be noted thereon.

Registration of any such bond, however, shall not affect the transferability, by delivery merely, of any coupon thereto belonging, and payment to the bearer of any such coupon shall discharge the Company in respect of the interest therein mentioned, whether or not the bond to which such coupon appertained shall have been registered.

ARTICLE FIVE.

SECTION 1. Upon the written order of the Company, signed by its President or a Vice-President, and by its Secretary or Treasurer, under its corporate seal, accompanied by a copy of a resolution of the Board of Directors or Executive Committee of the Company, certified by the Secretary or an Assistant Secretary under its corporate seal, in terms authorizing such order, the Trustee (provided that at that time the Company is not, to the knowledge of the Trustee, in default hereunder) shall at any time or from time to time release from the lien and operation of this Indenture, and shall deliver pursuant to such order, any of the pledged bonds, together with all unmatured interest obligations thereto appertaining, but only upon either (1) payment to the Trustee of such sum

in cash for the bonds so to be released and delivered as may be specified in said resolutions of the Board of Directors or Executive Committee, provided, however, that the sum so specified shall be not less than eighty-four (84) per cent. of the principal amount of said pledged bonds so to be released and delivered, or (2) receipt by the Trustee for cancellation as provided in Section 2 of this Article or delivery by the Company to the Trustee, for cancellation, of such a number of bonds authenticated hereunder, and previously issued by the Company and reacquired by it, with all unmatured interest obligations thereto appertaining, that the cost thereof as hereinafter defined and as specified in said resolutions of the Board of Directors or Executive Committee shall be equal to not less than eighty-four (84) per cent. of the principal amount of said pledged bonds so to be released and delivered.

In the case of a purchase and cancellation of bonds by the Trustee pursuant to the provisions of Section 2 of this Article, such cost shall be the price, exclusive of interest, at which said bonds shall have been purchased by the Trustee. In all other cases the cost shall be the actual cash cost of said bonds to the Company, exclusive of interest, upon their reacquirement by the Company, such cost however not to exceed the principal amount thereof, all as verified by an affidavit of the President or a Vice-President and the Treasurer or an Assistant Treasurer of the Company, which affidavit in all such cases shall accompany the order and resolution above referred to.

The written order signed and sealed as herein provided, and the certified copy of a resolution of the Board of Directors or Executive Committee of the Company authorizing the same and specifying the cost of the bonds, if any, received by or delivered to the trustee, as here-

inbefore defined, together with the affidavit, if any, required by the foregoing provisions, and the payment to the Trustee of the specified amount of money or the receipt by or delivery to the Trustee for cancellation of the specified amount of bonds authenticated hereunder and then outstanding, shall be full authority to the Trustee for the delivery of pledged bonds held by it hereunder, as required by such order and resolution for the principal amount permitted by the provisions of this Section.

Any and all bonds hereby secured, received by the Trustee pursuant to the provisions of this Section, shall forthwith be cancelled by the Trustee and shall not be reissued.

Any and all moneys received by the Trustee pursuant to the provisions of this Section, shall be held and applied for the purposes and in the manner expressed in Section 2 of this Article of this Indenture, and, except as so applied, shall be held by the Trustee as additional security for the bonds hereby secured.

SEC. 2. At any time and from time to time, the Company may give notice to the Trustee expressed by resolution of its Board of Directors or Executive Committee, of the amount of money which it desires to apply to the purchase of bonds authenticated hereunder and then outstanding, and the highest price per bond not exceeding the principal amount thereof, plus interest, that it is willing to pay therefor. In that event or in the event that at any time the Trustee has moneys received pursuant to the provisions of Section 1 of this Article, the Trustee shall invite offers of bonds by advertisement published at the expense of the Company once in each of two successive weeks in a newspaper published in the City of New York, specifying in said advertisement the amount applicable to the purchase of bonds and the date

on or prior to which offers must be received by the Trustee. Not later than three days ensuing said date, the Company in case it shall have given notice of an amount of money which it desired to apply to the purchase of bonds, shall deposit with the Trustee an amount sufficient to purchase all bonds offered to it at the lowest price not exceeding that specified in such notice and not exceeding in the aggregate the amount specified in said advertisement as applicable to the purchase of bonds. The Trustee shall thereupon to the extent of the moneys so deposited, and/or to the extent of the moneys received pursuant to Section 1 of this Article, purchase such bonds as are offered to it at the lowest price, provided that in case the Trustee shall have received a notice from the Company as in this Section provided, such price shall not exceed that specified in said notice, and in no case shall the Trustee purchase bonds at a price in excess of the principal amount thereof and accrued interest. The Company may make such offers and may in discharge of any such offer deliver any bonds authenticated hereunder, and previously issued by the Company and reacquired by it.

All bonds so purchased by the Trustee shall forthwith be cancelled by the Trustee and shall not be re-issued.

SEC. 3. So long as no default exists to the knowledge of the Trustee in respect of any of the covenants, stipulations and conditions herein set forth on the part of the Company to be done, performed and observed, the Company shall be entitled to receive, as they severally mature, all coupons upon the pledged bonds, if coupon bonds, or the Trustee shall execute such instruments as reasonably may be required by the Company and approved by the Trustee's counsel, releasing and discharging any claims

for such matured interest on pledged bonds, if such pledged bonds have no corresponding coupons belonging thereto.

SEC. 4. In case the Company shall make default in the observance or performance of any of the covenants on its part to be observed or performed contained in its mortgage securing the pledged bonds, the Trustee, so long as any such default shall continue, and be known to it to exist, shall not surrender or cancel or discharge any coupons or interest obligations appertaining to any of the pledged bonds, but shall retain the same upon the trusts of this Indenture as part of the trust estate, for the benefit of the holders of the bonds secured by this Indenture.

Upon such default, from time to time, as the holder of such pledged bonds or coupons, the Trustee may, and upon the written request of the holders of not less than twenty-five per cent. in amount of the bonds hereby secured then outstanding, and upon receiving indemnity, satisfactory to it, the Trustee shall exercise all or any of the rights and powers appertaining to it as the holder of such pledged bonds or coupons under the mortgage securing the same, as the Trustee, being advised by counsel learned in the law, shall deem most effectual to protect and enforce its rights and interest and the rights and interest of the holders of bonds issued hereunder.

Upon such default, for all purposes whatsoever, the Trustee shall be considered and held to be the legal owner and holder of the pledged bonds and coupons, and shall have and may exercise all the rights of such holder and owner, and may take any action or proceedings under the mortgage securing the pledged bonds, which could or might be taken by any *bona fide* holder or owner of such bonds and coupons, including the collection of any coupons or interest obligations retained by it as provided in this Section.

SEC. 5. The Trustee shall be authorized to cause any and all temporary bonds or coupon bonds pledged with and delivered to it hereunder to be registered in its name, as Trustee hereunder, or in the name or names of its nominee or nominees, as it may see fit.

SEC. 6. In case any of the pledged bonds are redeemed in accordance with the terms of the General Mortgage securing the same, then the Trustee shall hold the moneys so received by it upon such redemption upon the trusts of this Indenture as part of the trust estate, and as security under this Indenture, and shall from time to time until said moneys are applied as hereinafter provided invest and reinvest the same in securities in which a trustee is authorized to invest trust funds under the laws of the State of New York. The Trustee shall from time to time apply said funds in the same manner as it is directed by the provisions of Section 2 of this Article to apply the moneys received by it under the provisions of Section 1 or Section 2 of this Article.

ARTICLE SIX.

SECTION 1. In case (1) default shall be made in the payment of any interest on any of the bonds issued hereunder and any such default shall continue for a period of sixty days; or in case (2) default shall be made in the payment of the interest, or any part thereof, upon any bonds outstanding under the Company's First Mortgage or under the General Mortgage securing said pledged bonds, and such default shall continue for the period of sixty days; or in case (3) upon a default by the Company in any of the covenants of either of said mortgages, the trustee or trustees under such mortgage shall have declared due the principal sum of the bonds secured

thereby; or in case (4) default shall be made by the Company in the performance of any of the covenants or undertakings in this Indenture contained, and such default shall have continued for a period of ninety (90) days after written notice thereof to the Company by the Trustee, or by the holders of twenty-five per cent. in amount of the bonds hereby secured; or in case (5) the Company shall be adjudged a bankrupt, or a receiver of the property and assets of the Company shall be appointed by any competent court and such receivership shall not be finally vacated within sixty (60) days after such appointment,—then and in each and every such case the Trustee may, and upon the written request of the holders of twenty-five per cent. in amount of the bonds hereby secured at such time outstanding the Trustee shall, declare the principal of all bonds then outstanding hereunder to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in this Indenture or in said bonds contained to the contrary notwithstanding.

This provision, however, is subject to the condition that if, at any time after the principal of said bonds shall have been so declared due and payable and before any sale of the pledged bonds or any thereof shall have been made pursuant to the provisions of Section 2 of this Article, all arrears of interest upon all such bonds shall be paid by the Company, and the Company also shall have remedied any and every default by it theretofore made under this Indenture and under either or both of said mortgages,—then and in every such case the holders of a majority in amount of the bonds issued hereunder, then outstanding, by written notice to the Company and to the Trustee, may rescind and annul such declaration and its consequences, *provided, however*, that in case the principal of any of the bonds secured by either of said mortgages shall have been

declared due as aforesaid, no such rescission or annulment shall be made unless or until such declaration shall have been rescinded or annulled by the trustee or trustees under the mortgage securing the same as provided therein; and *provided, further*, that no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair any right consequent thereon.

In case the Trustee shall have proceeded to enforce any right under this Indenture, and such proceedings shall have been discontinued or abandoned because of such waiver, or for any other reason, or shall have been determined adversely to the Trustee, then and in every such case the Company and the Trustee shall be restored respectively to their several positions and rights hereunder in respect of the pledged bonds, and all rights, remedies and powers of the Trustee shall continue as though no such proceedings had been taken.

SEC. 2. In case (1) default shall be made in the payment of any interest on any of the bonds issued hereunder and any such default shall continue for a period of sixty days; or in case (2) default shall be made in the due and punctual payment of the principal of any of said bonds when the same become due whether at maturity or by declaration as authorized by this indenture; or in case (3) default shall be made in the due observance and performance of any other covenant or condition herein required to be kept or performed by the Company, and any such last-mentioned default shall have continued for a period of sixty days after written notice thereof from the Trustee to the Company, then, and in each and every such case of default (a) the Trustee, personally or by attorney, may sell either all, or from time to time any part, of the pledged bonds, and all right, title and interest, claim and demand therein

and right of redemption thereof, which sale or sales, if deemed best by the Trustee or so directed in writing by the holders of a majority in amount of said bonds, may be made privately, but otherwise shall be made in the City of New York, State of New York, either at the New York Stock Exchange, according to the rules and customs thereof, or publicly at such other place or places, and at such time or times, and upon such terms as the Trustee may fix and briefly specify in the notice or notices of sale to be given by publication thereof in at least two daily newspapers published in the City of New York, for five days in the ten days next preceding such sale; or (b) the Trustee may proceed to protect and to enforce its right and the rights of bondholders under this Indenture, by a suit or suits in equity or at law, whether for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or for the enforcement of any other appropriate legal or equitable remedy, as the Trustee, being advised by counsel learned in the law, shall deem most effectual to protect and enforce any of its rights or duties hereunder.

The Trustee may adjourn from time to time any sale by it to be made under the provisions of this Indenture by announcement at the time and place appointed for such sale or for such adjourned sale or sales; and without further notice or publication, it may make such sale at the time and place to which the same shall be so adjourned.

SEC. 3. Upon the written request of the holders of twenty-five per cent. in amount of the bonds hereby secured then outstanding, in case of the occurrence and the continuance of default as aforesaid, it shall be the duty of the Trustee, upon being indemnified as hereinafter pro-

vided, to take all steps needful for the protection and enforcement of its rights and the rights of the holders of the bonds hereby secured, or to take appropriate judicial proceedings by action, suit, or otherwise, as the Trustee, being advised by counsel learned in the law, shall deem most expedient in the interest of the holders of the bonds hereby secured; but, anything in this Indenture to the contrary notwithstanding, the holders of a majority in amount of the bonds hereby secured and then outstanding from time to time, shall have the right in writing to direct whether the Trustee shall proceed to sell all or any of the pledged securities, or shall proceed by suit in equity or action at law, or both, and subject to the terms of this Indenture to direct and to control the method and place of conducting any proceedings for any sale of the pledged bonds, or for the foreclosure hereof, or for a receiver, or any other proceedings hereunder; but they shall have no right or power to involve the Trustee in any personal liability of any kind to anybody, without first and from time to time indemnifying it to its satisfaction, and the Trustee shall have the right to decline to follow any such direction which in its opinion, or as it may be advised, would be unjustly prejudicial to non-assenting bondholders.

SEC. 4. Upon the completion of any sale or sales under this Indenture, the Trustee shall assign, transfer, and deliver to the accepted purchaser or purchasers such of the pledged bonds as shall have been sold to such purchaser or purchasers, and such assignment, transfer and delivery shall be conclusive evidence of the validity of the transfer thereby effected. The Trustee and its successors are hereby appointed the true and lawful attorney or attorneys irrevocable of the Company, in its name and stead, to make all necessary assignments

and transfers and deliveries of the pledged bonds thus sold; and for that purpose it and they may execute all necessary acts of assignment and transfer and may substitute one or more persons with like power; the Company hereby ratifying and confirming all that its said attorney or attorneys or such substitute or substitutes shall lawfully do by virtue hereof.

SEC. 5. The receipt of the Trustee for the purchase money shall be a sufficient discharge therefor to any purchaser of the pledged bonds or any thereof, sold as aforesaid; and no such purchaser or his representatives, grantees or assigns, after paying such purchase money and receiving such receipt, shall be bound to see to the application of such purchase money upon or for any trust or purpose of this Indenture, or shall in any manner whatsoever be answerable for any loss, misapplication or non-application of any such purchase money or any part thereof, or shall be bound to inquire as to the authorization, necessity, expediency or regularity of any such sale or sales.

SEC. 6. In case of any such sale, whether made under the power of sale in this Article granted or pursuant to judicial proceedings, the whole of the principal sums of the bonds hereby secured, if not previously due, shall at once become due and payable, anything in said bonds or in this Indenture to the contrary notwithstanding.

SEC. 7. The purchase money, proceeds or avails of any such sale, whether under the power of sale hereby granted or pursuant to judicial proceedings, together with all other moneys, if any, then held by the Trustee under this Indenture, shall be applied as follows:

First. To the payment of the costs and expenses of such sale, including a reasonable compensation

to the Trustee, its agents, attorneys and counsel, and of all expenses, liabilities and advances made or incurred by the Trustee under this Indenture;

Second. To the payment of the whole amount then owing or unpaid upon the bonds hereby secured for principal and interest, with interest at the rate of seven per cent. on overdue instalments of interest; or in case such proceeds shall be insufficient to pay in full the whole amount so due and unpaid upon the said bonds, then to the payment of such principal and interest, ratably, without preference or priority of principal over interest or of interest over principal, or of any instalment of interest over any other instalment of interest;

Third. To the payment of the surplus, if any, to the Company, its successors or assigns, or to whosoever shall be lawfully entitled to receive the same.

SEC. 8. Upon any such sale by the Trustee or pursuant to judicial proceedings, the Trustee or any bondholder or any other person may bid for and may purchase the pledged bonds offered for sale, or any thereof, for himself and without accountability in respect thereof, except for payment of the purchase price; and in settlement or payment of the purchase price of the pledged bonds so purchased, any purchaser shall be entitled to use and apply any bonds, and any matured and unpaid coupons hereby secured, by presenting such bonds and coupons in order that there may be credited as paid thereon the sums payable out of the net proceeds of such sale to the holder of such bonds and coupons, as his ratable share of such net proceeds, after allowing for the proportion of the total purchase price required to be paid

in cash for the purpose of paying costs and expenses of the sale, or otherwise, under Section 7 of this Article; and thereupon such purchaser shall be credited, on account of such purchase price payable by him, with the sums so applicable to the payment of and credited on, the bonds and coupons so presented.

SEC. 9. The Company covenants that (1) in case default shall be made in the payment of any interest on any bond at any time outstanding and secured by this Indenture, and such default shall continue for a period of sixty days; or (2) in case default shall be made in the payment of the principal of any such bond when the same shall become payable, whether at the maturity of said bonds or by declaration as authorized by this Indenture, or upon a sale as mentioned in Section 6 of this Article,—then, upon demand of the Trustee, the Company will pay to the Trustee, for the benefit of the holders of the bonds hereby secured, then outstanding, the whole amount which then shall have become due and payable on all such bonds then outstanding for interest or principal or both, as the case may be; and, in case the Company shall fail to pay the same forthwith upon such demand, the Trustee in its own name, and as Trustee of an express trust, shall be entitled to recover judgment for the whole amount so due and unpaid.

The Trustee shall be entitled to recover judgment as aforesaid, either before or after or during the pendency of any proceedings for the enforcement of the lien of this Indenture upon the pledged bonds, and the right of the Trustee to recover such judgment shall not be affected by any sale hereunder, or by the exercise of any other right, power or remedy for the enforcement of the provisions of this Indenture; and in case of a sale of the pledged bonds, as provided in this Article, and of the application of

the proceeds of sale to the payment of the bonds secured hereby, the Trustee, in its own name and as trustee of an express trust, shall, for the benefit of the holders thereof, be entitled to enforce payment of and to receive all amounts then remaining due and unpaid upon any and all of the said bonds then outstanding, and shall be entitled to recover judgment for any portion of the debt remaining unpaid, with interest. No recovery of any such judgment by the Trustee, and no levy of execution under any such judgment upon the pledged bonds, or upon any other property, shall in any manner or to any extent affect the lien of this Indenture upon the pledged bonds, or any thereof, or any rights, powers or remedies of the Trustee hereunder, but such lien, rights, powers and remedies of the Trustee and of the bondholders shall continue unimpaired as before.

Any moneys thus collected by the Trustee under this section (less expenses, Trustee's compensation and indemnification, and other proper deductions), shall be applied by the Trustee toward payment of such amounts then due and payable upon such bonds ratably and without any preference or priority of any kind, upon presentation of the respective bonds and stamping such payments thereon, if partly paid, or upon cancellation thereof, if paid in full.

SEC. 10. No holder of any bond hereby secured shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of this Indenture, or for the execution of any trust hereof, or for the appointment of a receiver, or for any other remedy hereunder, unless such holder previously shall have given to the Trustee written notice of such default and of the continuance thereof, as hereinbefore provided; nor unless, also, the holders of twenty-five per cent. in amount

of the bonds hereby secured, then outstanding, shall have made written request upon the Trustee, and shall have afforded to it a reasonable opportunity either to proceed to exercise the powers hereinbefore granted, or to institute such action, suit or proceeding in its own name, nor unless, also, they shall have offered to the Trustee security and indemnity satisfactory to it, against the costs, expenses and liabilities to be incurred therein or thereby; and such notification, request and offer of indemnity are hereby declared, in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of this Indenture, and to any action or cause of action, or for any remedy hereunder; it being understood and intended that no one or more holders of bonds and coupons shall have any right in any manner whatever to affect, disturb or prejudice the lien of this Indenture by his or their action, or to enforce any right hereunder, except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the equal benefit of all holders of such outstanding bonds and coupons.

All rights of action under this Indenture, or under any of said bonds, may be enforced by the Trustee without the possession of any of such bonds, or the production thereof on the trial or other proceedings relative thereto, and any such suit or proceedings instituted by the Trustee shall be brought in its name as Trustee, and any recovery of judgment shall be for the ratable benefit of the holders of said bonds.

SEC. 11. No delay or omission of the Trustee, or of any holder of any bonds hereby secured, to exercise any right or power accruing upon any default occurring and continuing as aforesaid, shall impair any such right or

power, or shall be construed to be a waiver of any such default, or an acquiescence therein; and every power and remedy given by this Article to the Trustee, or to the bondholders, may be exercised from time to time, and as often as shall be deemed expedient, by the Trustee or by the bondholders.

SEC. 12. Except as herein expressly provided to the contrary, no remedy herein conferred upon or reserved to the Trustee, or to the holders of bonds hereby secured, is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative, and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

ARTICLE SEVEN.

Each of the bonds secured hereby is issued upon the express condition, to which each successive holder thereof expressly assents, and by receiving the same agrees, that no recourse under or upon any obligation, covenant or agreement of this Indenture or of any bond hereby secured or because of the creation of any indebtedness hereby secured, shall be had against any incorporator, stockholder, officer or director of the Company, or of any successor corporation, either directly or through the Company, by the enforcement of any assessment or by any legal or equitable proceeding by virtue of any statute or otherwise; it being expressly understood that this Indenture, and the obligations hereby secured, are solely corporate obligations, and that no personal liability whatever shall attach to, or be incurred by, the incorporators, stockholders, officers or directors of the Company, or of any successor corporation, or any of them, because of the creation of the indebtedness hereby author-

ized, or under or by reason of the obligations, covenants or agreements contained in this Indenture, or in any of the bonds or coupons hereby secured, or implied therefrom; and that any and all personal liability of every name and nature, whether at common law or in equity or by statute, of every such incorporator, stockholder, officer or director, is hereby expressly waived as a condition of, and as a consideration for, the execution of this Indenture and the execution and issue of such bonds and coupons.

ARTICLE EIGHT.

SECTION 1. Any request or other instrument, provided by this Indenture to be signed and executed by bondholders, may be in any number of concurrent instruments of similar tenor, and may be signed or executed by such bondholders in person, or by agent appointed in writing. Proof of the execution of any such request or other instrument, or of a writing appointing any such agent, and of the holding by any person of any of said bonds, shall be sufficient for any purpose of this Indenture, and shall be conclusive in favor of the Trustee and against the Company with regard to due action taken by it under such request or other instrument, if made in the manner specified in this Article.

The fact and date of the execution by any person of any such request, or other instrument, or writing, may be proved by the certificate of any notary public, or other officer authorized to take acknowledgments of deeds to be recorded in New York, that the person whose name was subscribed to such request or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness to such execution.

The fact of the holding of any of said bonds by any person executing any such request or other instrument

as a bondholder, and the amounts and distinctive serial numbers of the bonds held by such person, and the date of his holding the same, may be proved by a certificate executed by any trust company, bank, bankers or other depository (wherever situated), if such certificate shall be deemed by the Trustee to be satisfactory, showing therein that at the date therein mentioned such person had on deposit with such depository the bonds described in such certificate; *provided* such bonds be not registered. The fact of the holding of a registered bond and the distinctive serial number thereof and the date of holding the same shall be proved by the books of the Company for the registry of such bonds.

SEC. 2. The Company and the Trustee may deem and treat the bearer of any bond not registered or of any coupon, hereby secured, as the absolute owner of such bond or coupon, as the case may be, and may also treat the registered holder of any such bond as the absolute owner thereof, for the purpose of receiving payment thereof and for all other purposes; and neither the Company nor the Trustee shall be affected by any notice to the contrary.

ARTICLE NINE.

SECTION 1. The Trustee shall not be answerable for the default or misconduct of any agent or attorney appointed by it in pursuance hereof, if such agent or attorney shall have been selected with reasonable care; or for anything whatever in connection with this trust, except willful misconduct or gross negligence. The Trustee shall not be under any obligation to take any action towards the execution or the enforcement of the trusts hereby created, which, in its opinion, will be likely to involve it in expense or liability unless one or more of the

holders of the bonds hereby secured shall, as often as required by the Trustee, furnish indemnity satisfactory to the Trustee against such expense or liability; nor shall the Trustee be required to take or be deemed to have notice of any default hereunder, or any default in the indenture under which the pledged bonds were issued, unless notified in writing of such default by the holders of at least five per cent. in amount of the bonds hereby secured then outstanding, or to take any action in respect of any default unless requested to take action in respect thereof by a writing signed by the holders of not less than twenty-five per cent. in amount of the bonds hereby secured, then outstanding, and tendered indemnity satisfactory to it as aforesaid, anything herein contained to the contrary notwithstanding; but the foregoing provisions of this Section are intended only for the protection of the Trustee, and shall not be construed to limit or to affect any discretion or power by any provision of this Indenture given to the Trustee to determine whether or not it shall take action in respect of any default, or any power or discretion of the Trustee to take action in respect of any default without such notice or request from bondholders.

Any action taken by the Trustee upon the request of any person who at the time is the owner of any such bond or bonds shall be conclusive and binding upon all future owners of the same bond or bonds.

The Trustee shall incur no liability to anybody in acting upon any notice, request, order, copy of a resolution, consent, certificate, bond, note, document or paper believed by it to be genuine and to have been signed by the proper person.

The recitals and statements herein and in said bonds contained shall be taken as statements by the party of the first part and shall not be considered as made by or

as imposing obligation or liability upon the Trustee, nor shall the Trustee be held responsible for the legality or validity of said bonds in any respect whatsoever, or obliged to see that proper authority is obtained for the issuance of any of said bonds or pledged bonds from any Board or Commission of any State or to see to the recording, registry or filing of this Indenture, or re-recording re-registry or refiling of the same, or to inquire as to or pay any taxes, charges or assessments or liens in respect to the bonds or pledged bonds.

The Trustee may become the owner of bonds secured hereby with the same rights which it would have if it were not trustee, and at any public sale of the bonds, pledged as collateral hereunder, may become the purchaser thereof without any accountability or responsibility except for the payment of the purchase price.

The Trustee, in its discretion, may advise with legal counsel to be selected and employed by it at the expense of the Company, and anything done or suffered in good faith by the Trustee in accordance with the opinion of counsel shall be conclusive in favor of the Trustee as against the Company and all holders of bonds secured hereby.

The Trustee shall be entitled to reasonable compensation for all services rendered by it in the execution of the trusts hereby created, and the Company agrees to pay such compensation as well as all expenses necessarily incurred or disbursed by the Trustee hereunder, from time to time upon demand; and for payment of such compensation and expenses and proper indemnification, the Trustee shall have a first lien on all the property pledged hereunder, paramount to the lien of the bonds hereby secured.

The Trustee shall be under no duty or obligation to see to the application of the proceeds of any bond issued under this Indenture.

SEC. 2. The Trustee, or any trustee hereafter appointed, may resign, and may be discharged of the trusts created by this Indenture, by giving notice thereof to the Company and to the bondholders, by publication, at least twice a week, for two successive weeks, in one newspaper at that time published in the City of New York, State of New York. Such resignation shall take effect upon the final publication of such notice, unless prior thereto a successor trustee shall have been appointed as hereinafter provided, in which case it shall take effect upon the appointment of such successor trustee.

SEC. 3. In case at any time said Trustee, or any trustee hereafter appointed, shall resign or shall be removed or otherwise shall become incapable of acting, a successor or successors may be appointed by the holders of a majority in amount of the bonds hereby secured then outstanding, by an instrument or concurrent instruments signed by such bondholders or their attorneys-in-fact duly authorized; *provided, nevertheless*, and it is hereby agreed and declared, that in case at any time there shall be a vacancy in the office of trustee hereunder, the Company, by an instrument executed by order of its Board of Directors, shall appoint a trustee to fill such vacancy until a new trustee shall be appointed by the bondholders as herein authorized. Thereupon the Company shall publish notice of such appointment once a week for four successive weeks in a daily newspaper published in the City of New York, State of New York, but any new trustee so appointed by the Company shall immediately and without further act be superseded by a trustee appointed in the manner above provided by the holders of a majority in amount of the bonds hereby secured, if such appointment by bondholders be made prior to the expiration of one year after such publication of notice. Every such

trustee appointed, shall always be a trust company in good standing, doing business in the City of New York, and having a capital and surplus aggregating at least \$2,000,000 if there be such a trust company willing and able to accept the trust upon reasonable or customary terms.

Any such new trustee appointed hereunder shall execute and acknowledge, and shall deliver to the trustee last in office, and also to the Company, an instrument accepting such appointment hereunder, and thereupon such new trustee, without any further act, deed or conveyance, shall become vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessors in the trust hereunder with like effect as if originally named as trustee herein; but nevertheless, on the written request of the new trustee, the trustee ceasing to act shall execute and deliver an instrument transferring to such new trustee, upon the trusts herein expressed, all the estates, properties, rights, powers and trusts of the trustee so resigning or removed, and shall duly assign, transfer and deliver all the bonds then pledged hereunder, and all other property and moneys then held hereunder by such trustee, to the new trustee so appointed in its place, *subject, nevertheless*, to any lien which the retiring trustee may have pursuant to any provision hereof. Upon request of any such new trustee, the Company shall make, execute, acknowledge and deliver any and all assignments, conveyances or instruments in writing for more fully and certainly vesting in and confirming to such new trustee all such property, rights, powers and duties.

ARTICLE TEN.

SECTION 1. All the covenants, stipulations, promises and agreements in this Indenture contained, by or in be-

half of the Company, shall bind its successors and assigns, whether so expressed or not.

SEC. 2. In case the Company shall be consolidated or merged with any other corporation, or shall sell, convey and transfer to another corporation, its property as an entirety, the successor corporation formed by such consolidation, or into which the Company shall have been merged, or which shall have purchased and received a conveyance and transfer, as aforesaid—upon executing an instrument satisfactory to the Trustee, whereby such successor corporation shall assume the due and punctual payment of the principal and interest of the bonds hereby secured, and the performance of all the covenants and conditions of this Indenture obligatory on the Company—shall succeed to, and be substituted for, the Company, party of the first part hereto, with the same effect as if it had been named herein as such party of the first part.

SEC. 3. For every purpose of this Indenture, including the execution, issue and use of any and all bonds hereby secured, the terms “Company” and “Appalachian Power Company” include and mean not only the party of the first part hereto, but also any such successor corporation formed by consolidation or otherwise under the laws of Virginia or of any State or States or of the United States. Every such successor or purchasing corporation shall possess, and from time to time may exercise, each and every right and power hereunder of Appalachian Power Company, in its name or otherwise.

SEC. 4. Any act or proceeding, by any provision of this Indenture authorized or required to be done or performed by any board or officer of the Company, shall and may be done and performed with like force and effect by the

like board or officer of any corporation that shall at the time be such lawful sole successor or purchaser of the Company.

SEC. 5. Nevertheless, before the exercise of the powers conferred by this Article, the Company, by instrument in writing executed by authority of two-thirds of its board of directors and delivered to the Trustee, may surrender any of the powers reserved to the Company or to such successor corporation; and thereupon such power so surrendered shall terminate.

SEC. 6. Except when otherwise indicated, the words "the Trustee," or "said Trustee," or any other equivalent term, as used in this Indenture, shall be held and construed to mean the trustee or trustees, for the time being, whether original or successor, and the words "Trustee," "bond," "bondholder," shall signify the plural as well as the singular number, the word "amount" shall signify "principal amount" and the term "majority" shall signify "majority in amount," whether or not so expressed.

THE NEW YORK TRUST COMPANY, Trustee, party hereto of the second part, hereby accepts the trusts in this Indenture declared and provided, upon the terms and conditions hereof.

IN WITNESS WHEREOF, after due corporate and other proceedings, APPALACHIAN POWER COMPANY, the party hereto of the first part, has caused this Indenture to be signed by its President or a Vice-President, and its corporate seal to be hereunto affixed and attested by its Secretary or an Assistant Secretary, and the due execution of these presents to be proved, and THE NEW YORK TRUST COMPANY, the party hereto of the second part, has caused

this Indenture to be signed by a Vice-President and its corporate seal to be hereunto affixed and attested by its Secretary or an Assistant Secretary, and the due execution of these presents to be proved, all in duplicate as of the day and year first above written.

APPALACHIAN POWER COMPANY,
By C. N. MASON
Vice-President.

Attest:

L. W. OSBORNE
Secretary.

[CORPORATE
SEAL]

THE NEW YORK TRUST COMPANY,
By H. W. MORSE
President.

Attest:

A. C. DOWNING JR.
Secretary.

[CORPORATE
SEAL]

United States Internal Revenue documentary stamps to the amount of \$1,250, denoting payment of the tax imposed by the Federal Revenue Act of 1918 on the first \$2,500,000 of bonds secured by this Indenture, have been affixed to the executed counterpart of this Indenture filed with The New York Trust Company and have been duly cancelled.

STATE OF NEW YORK, }
 County of New York, } ss.:

On the 28 day of Nov. in the year One thousand nine hundred and twenty-one, before me personally came C. N. Mason, to me known, who, being by me duly sworn, did depose and say that he resides in Montclair, New Jersey; that he is a Vice-President of APPALACHIAN POWER COMPANY, one of the corporations described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation, and that he signed his name thereto by like order.

FORREST J. HYDE, JR.
 Notary Public, New York County
 New York County Clerk's No. 448
 New York Register's No. 2454
 Commission expires March 30th, 1922

[NOTARIAL
 SEAL]

STATE OF NEW YORK, }
 County of New York, } ss.:

On the 29 day of Nov. in the year One thousand nine hundred and twenty-one, before me personally came H. W. MORSE, to me known, who being by me duly sworn, did depose and say that he resides in Bronxville, N. Y., that he is a Vice-President of THE NEW YORK TRUST COMPANY, one of the corporations described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation, and that he signed his name thereto by like order.

FORREST J. HYDE, JR.
 Notary Public, New York County
 New York County Clerk's No. 448
 New York Register's No. 2454
 Commission expires March 30th, 1922

[NOTARIAL
 SEAL]

STATE OF NEW YORK,)
County of New York,} to-wit:

I, FORREST J. HYDE, JR., a Notary Public in and for the State of New York and County of New York, do certify that C. N. Mason, a Vice-President of APPALACHIAN POWER COMPANY, whose name is signed to the writing above bearing date on the first day of August, 1921, has acknowledged the same before me in my county aforesaid.

GIVEN under my hand and notarial seal this 28 day of Nov., 1921.

FORREST J. HYDE, JR.
Notary Public, New York County
New York County Clerk's No. 448
New York Register's No. 2454
Commission expires March 30th, 1922

[NOTARIAL
SEAL]

STATE OF NEW YORK,)
County of New York,} to-wit:

I, FORREST J. HYDE, JR., a Notary Public in and for the State of New York and County of New York, do hereby certify that H. W. Morse, a Vice-President of THE NEW YORK TRUST COMPANY, whose name is signed to the writing above bearing date on the first day of August, 1921, has acknowledged the same before me in my county aforesaid.

GIVEN under my hand and notarial seal this 29 day of Nov., 1921.

FORREST J. HYDE, JR.
Notary Public, New York County
New York County Clerk's No. 448
New York Register's No. 2454
Commission expires March 30th, 1922

[NOTARIAL
SEAL]



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